Nova Scotia Utility and Review Board

Financial Statements

March 31, 2003

Grant Thornton

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Grant Thornton

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To the Chair and Members of
Nova Scotia Utility and Review Board

We have audited the balance sheet of the **Nova Scotia Utility and Review Board** at March 31, 2003, and the statements of operations, accumulated surplus, capital assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Halifax, Nova Scotia
May 23, 2003

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Nova Scotia Utility and Review Board
Statement of Operations
Year Ended March 31

	2003	2002
Revenue		
Grant from the Province of Nova Scotia (Note 2)	$ 2,392,325	$ 2,030,000
Recoveries (Notes 2 and 10)	1,368,427	771,329
Assessments to utilities (Note 2)	788,635	657,231
Interest	20,923	44,029
	4,570,310	3,502,589
Expenses		
Salaries, wages and benefits	2,584,358	2,313,968
Consulting and legal fees	971,610	318,746
Rent and business taxes (Note 11)	421,621	410,733
Travel	208,033	174,168
Transcribing and printing	96,497	37,379
Advertising	64,567	43,958
Office supplies and services	52,229	40,640
Dues and fees	44,908	38,780
Equipment (Note 3)	39,332	19,490
Depreciation	38,713	20,973
Maintenance	30,804	18,008
Telecommunications	28,361	22,683
Postage and couriers	14,920	9,392
Books and reports	13,196	14,346
Sundry expenses	8,426	3,998
Staff training and development	7,754	3,615
	4,625,329	3,490,877
Operating (deficit) surplus for the year	$ (55,019)	$ 11,712

See accompanying notes to the financial statements.

Nova Scotia Utility and Review Board
Statement of Accumulated Surplus
Year Ended March 31

	2003		
	Province of Nova Scotia	Public Utilities	Total
Restricted (Note 13)			
Balance, beginning of year	$ 268,281	$ 105,012	$ 373,293
Transferred from general	171,512	56,539	228,051
Balance, end of year	439,793	161,551	601,344
General			
Balance, beginning of year	278,091	158,290	436,381
Operating deficit	(41,378)	(13,641)	(55,019)
Transferred to restricted	(171,512)	(56,539)	(228,051)
Balance, end of year	65,201	88,110	153,311
Total accumulated surplus	$ 504,994	$ 249,661	$ 754,655

	2002		
	Province of Nova Scotia	Public Utilities	Total
Restricted (Note 13)			
Balance, beginning of year	$ 248,625	$ 103,505	$ 352,130
Transferred from general	19,656	1,507	21,163
Balance, end of year	268,281	105,012	373,293
General			
Balance, beginning of year	288,899	156,933	445,832
Operating surplus	8,848	2,864	11,712
Transferred to restricted	(19,656)	(1,507)	(21,163)
Balance, end of year	278,091	158,290	436,381
Total accumulated surplus	$ 546,372	$ 263,302	$ 809,674

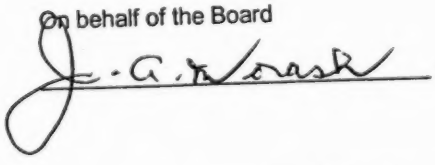
See accompanying notes to the financial statements.

Nova Scotia Utility and Review Board
Balance Sheet
March 31

	2003	2002
Assets		
Current		
Cash and cash equivalents (Notes 3 and 6)	$ 636,777	$ 1,188,033
Board operations	331,417	353,505
Public service award	617,477	375,013
Accounts receivable (Note 4)	2,215	3,279
Inventory (Note 5)	1,587,886	1,919,830
Service award advances	6,804	8,729
Capital assets	81,344	53,293
	$ 1,676,034	$ 1,981,852
Liabilities		
Current		
Payables and accruals	$ 225,662	$ 252,609
Due to related parties	239,300	456,109
	464,962	708,718
Long term		
Public service award liability (Note 8)	331,417	338,460
Advances for working capital (Note 9)	125,000	125,000
	456,417	463,460
	921,379	1,172,178
Surplus (Note 2)		
Restricted (Note 13)	601,344	373,293
General	153,311	436,381
	754,655	809,674
	$ 1,676,034	$ 1,981,852

Commitment (Note 11)

On behalf of the Board



Chair

See accompanying notes to the financial statements.

Nova Scotia Utility and Review Board
Statement of Capital Assets
Year Ended March 31, 2003

	Cost				Accumulated Depreciation				2003 Net Book Value	2002 Net Book Value
	Opening	Additions	Deletions	Closing	Opening	Expense	Deletions	Closing		
Furniture	$ 151,035	$ 7,935	$ -	$ 158,970	$ 125,602	$ 5,519	$ -	$ 131,121	$ 27,849	$ 25,433
Computer equipment	149,232	55,901	-	205,133	146,238	20,131	-	166,369	38,764	2,994
Computer software	12,007	-	-	12,007	9,029	2,444	-	11,473	534	2,978
Equipment	63,284	2,928	-	66,212	41,396	10,619	-	52,015	14,197	21,888
Total	$ 375,558	$ 66,764	$ -	$ 442,322	$ 322,265	$ 38,713	$ -	$ 360,978	$ 81,344	$ 53,293

See accompanying notes to the financial statements.

Nova Scotia Utility and Review Board
Statement of Cash Flows
Year Ended March 31

	2003	2002
Increase (decrease) in cash and cash equivalents		
Operating		
Operating (deficit) surplus	$ (55,019)	$ 11,712
Depreciation	38,713	20,973
	(16,306)	32,685
Change in non-cash operating working capital (Note 12)	(483,231)	327,523
	(499,537)	360,208
Financing		
Decrease in War Service pension liability	-	(167,756)
Decrease in Public service award liability	(7,043)	37,748
	(7,043)	(130,008)
Investing		
Purchase of capital assets	(66,764)	(7,136)
Net (decrease) increase in cash and cash equivalents	(573,344)	223,064
Cash and cash equivalents Beginning of year	1,541,538	1,318,474
End of year	$ 968,194	$ 1,541,538

See accompanying notes to the financial statements.

Nova Scotia Utility and Review Board
Notes to the Financial Statements
March 31, 2003

1. Incorporation

The Nova Scotia Utility and Review Board (the Board) was created on December 14, 1992, through the proclamation of the *Utility and Review Board Act*, Chapter 11 of the Acts of 1992. The Act consolidated the operations of the former Board of Commissioners of Public Utilities, Municipal Board, Expropriations Compensation Board, and Tax Review Board. All assets and liabilities of the former boards were transferred to and assumed by the Nova Scotia Utility and Review Board.

2. Authority

The Nova Scotia Utility and Review Board has those functions, powers and duties conferred upon it through Section 4 of the *Utility and Review Board Act*. Section 15 of the *Public Utilities Act* requires the Board to estimate its expenses in administering that Act and assess them against the public utilities of the Province. Section 157 of the *Insurance Act* and Regulations made pursuant to Sections 41 and 42 of the *Gas Distribution Act*, and Section 44 of the *Pipeline Act* allow the Board to recover certain expenses for activities relating to those Acts. Expenses incurred by the Board in administering all other Acts are recovered from the Province of Nova Scotia. Any operating surpluses or deficits are allocated to the Province and the public utilities based on the prorata share of revenue contributed in each year.

3. Summary of significant accounting policies

General
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector.

Short term investments
Short term investments are valued at cost plus interest accrued to year end, which approximates market value.

Capital assets
Capital assets purchased by the Board with a value greater than $1,000 and a useful life greater than one year are capitalized and amortized over their useful lives on a straight line basis as follows:

Furniture	10 years
Computer equipment	3 years
Computer software	3 years
Equipment	5 years

Use of estimates
In preparing the Board's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Summary of significant accounting policies (continued)

Fair value of financial instruments
The Board's estimate of the fair value of cash, receivables, payables and accruals approximate their carrying value due to their short-term nature.

Cash and cash equivalents
Cash and cash equivalents include balances with banks and short term investments. Bank borrowings are considered to be financing activities.

4. Accounts receivable

	2003	2002
Due from related parties	$ 65,848	$ 132,760
Trade	551,629	242,253
	$ 617,477	$ 375,013

5. Inventory

Inventory consists of specialty books held for resale. Cost is determined using the first-in, first-out method of valuation.

6. Pledged assets

The Board has an operating line of credit of $150,000 of which none has been used at March 31, 2003. As security, the Board has pledged short term investments.

7. Pensions

Public service superannuation fund
Pursuant to Section 10 of the *Utility and Review Board Act*, all full time employees of the Board are entitled to receive pension benefits under the *Public Service Superannuation Act*. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Board is not responsible for any unfunded liability.

8. Public service award liability

The Board follows provisions similar to those found in the *Civil Service Act* with respect to the payment of public service awards to retiring employees. The Board is responsible for the funding and eventual payment of these awards.

9. Advances for working capital

The following advance was transferred to the Nova Scotia Utility and Review Board from the Board of Commissioners of Public Utilities on consolidation:

	2003	2002
Province of Nova Scotia	$ 125,000	$ 125,000

The authority for the advance for working capital from the Province was contained in Section 14 of Chapter 380, RSNS 1989, the *Public Utilities Act*. The advance is non-interest bearing, with no set terms of repayment.

10. Recoveries

Consultants are engaged by the Board to provide advice related to matters such as insurance, utility and natural gas operations and to provide expert testimony during hearings. Consulting fees for specific hearings are generally recovered directly from the entities involved.

The Board also recovers certain transcription, copying and other expenses from various sources.

11. Commitments

The Nova Scotia Utility and Review Board has entered into an agreement to lease its premises until October 31, 2009. The annual rent of premises consists of a minimum rent plus the Board's portion of common costs such as maintenance, power, water and property taxes. Minimum rent payable for premises, not including common costs, in aggregate and for each of the next five years is as follows:

2004	$ 202,342
2005	205,353
2006	209,569
2007	209,569
2008	209,569
Subsequently	331,816
	$ 1,368,218

Approximately 1,000 square feet of the Board's premises has been sublet to the Department of Transportation and Public Works for space occupied by the Nova Scotia Police Commission.

12. Supplemental cash flow information

Change in non-cash operating working capital	2003	2002
Accounts receivable	$ (242,464)	$ 4,476
Inventory	1,064	158
Service award advances	1,925	1,875
Payables, accruals and due to related parties	(243,756)	321,014
	$ (483,231)	$ 327,523

13. Restricted surplus

Certain amounts of surplus have been restricted as necessary for ongoing and future operations of the Board. Details are as follows:

	Province of Nova Scotia	Public Utilities	2003 Total	2002 Total
Working capital	$ 251,458	$ 98,542	$ 350,000	$ 150,000
Tangible capital assets	55,865	25,479	81,344	53,293
Deferred capital expenditures	132,470	37,530	170,000	170,000
	$ 439,793	$ 161,551	$ 601,344	$ 373,293

14. Related party transactions

The Nova Scotia Utility and Review Board is a quasi-judicial tribunal operating at arm's length from the Government of the Province of Nova Scotia. A significant amount of the funding for the Board is provided from the Consolidated Fund of the Province through a public service vote.

The Department of Transportation and Public Works for the Province of Nova Scotia sublets approximately 1,000 square feet of the Board's premises on behalf of the Nova Scotia Police Commission. The Board recovers the cost of the sublet space from the Department.

Direct expenses and a portion of salary costs incurred by the Board in relation to its adjudicative duties pursuant to the *Liquor Control Act, Gaming Control Act* and *Theatre and Amusements Act* are recovered from the Province through the Alcohol and Gaming Authority of the Department of Environment and Labour.

The Board purchases certain stationery supplies from the central government stationery stockroom. Purchases are included in office supplies expense.

Transactions with the Province by financial statement category are as follows:

	2003	2002
Statement of Operations:		
Grant from the Province of Nova Scotia	$ 2,392,325	$ 2,030,000
Recoveries:		
Premises sublet to Province	24,570	24,570
Alcohol, gaming and amusements adjudicative costs	127,035	118,935
Office supplies expense	10,566	7,151
Balance Sheet:		
Accounts receivable (Note 4)	64,545	114,893
Payables and accruals	239,300	452,809
Advances for working capital (Note 9)	125,000	125,000
Surplus	504,994	546,372

To minimize cost to government, some administrative support is provided by the Board to other agencies, in particular the Nova Scotia Police Commission and the Freedom of Information and Protection of Privacy Review Office (FOIPOP Review Office). The Board recovers some shared support costs and any direct expenses incurred on behalf of these agencies.

14. Related party transactions (continued)

Transactions with the Nova Scotia Police Commission by financial statement category are as follows:

	2003	2002
Balance Sheet:		
Accounts receivable	$ 847	$ 391

Transactions with the FOIPOP Review Office by financial statement category are as follows:

	2003	2002
Statement of Operations:		
Recoveries	$ 12,000	$ 12,000
Balance Sheet:		
Accounts receivable	456	17,476
Accounts payable	-	3,300

Effective April 1, 2003, administrative support services to the FOIPOP Review Office and Nova Scotia Police Commission will no longer be provided by the Nova Scotia Utility and Review Board. These support functions will be assumed by the Department of Justice of the Province of Nova Scotia.